

EXECUTIVE SUMMARY

This year promises to be another banner one for the Idaho economy, with growth topping last year's surprisingly strong showing. Most of this growth should come in the first half of this year. Job growth is already off to a strong start. Preliminary evidence shows that Idaho nonfarm employment increased at a 5.8% annual rate in the first quarter of this year—its strongest showing in recent history. Idaho's recent economic strength can also be seen in the personal income numbers. In April 2000, the U.S. Bureau of Economic Analysis reported that Idaho nominal personal income increased 8.0% in 1999, which was its strongest showing since 1990. Readers should note that some of this increase reflects a huge upward revision to Idaho personal income. The current forecast calls for the number of nonfarm jobs in the Gem State to advance 3.6% in 2000. Idaho's growth is expected to slow over the forecast period. Specifically, Idaho annual nonfarm employment growth should average about 2.4% after this year. This will be about twice as fast as national employment is projected to grow. After rising 7.3% in 2000, Idaho nominal personal income should average about 6.0% growth per year through 2003. This will be about one-half percentage point higher than is expected at the national level.

The Federal Reserve is attempting to execute an unprecedented second "soft landing." Last June, the nation's central bank began raising interest rates in order to prevent the U.S. economy from overheating. A year later, recent signs in employment, housing, and consumer demand all suggest the impacts of the Federal Reserve's current round of tightening are arriving right on schedule. (The normal lag for interest rate movements is 9 to 12 months.) In May 2000, the U.S. unemployment rate inched back above 4.0%. Even with this rise, the U.S. labor market remains extremely tight. The housing market is the most sensitive sector of the economy. This spring, housing sales showed signs of weakening. For example, new home sales dropped 5.8% in April 2000. This forecast assumes the Federal Reserve will succeed in its second soft landing. Therefore, no recession is expected over the forecast period.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JULY 2000

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GDP (BILLIONS)										
Current \$	7,031	7,401	7,813	8,301	8,760	9,256	9,908	10,395	10,916	11,523
% Ch	7.2%	5.3%	5.6%	6.2%	5.5%	5.7%	7.0%	4.9%	5.0%	5.6%
1992 Chain-Weighted	6,720	6,929	7,176	7,481	7,803	8,127	8,523	8,778	9,053	9,365
% Ch	5.2%	3.1%	3.6%	4.2%	4.3%	4.1%	4.9%	3.0%	3.1%	3.5%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	21,399	22,869	24,174	25,440	27,177	29,347	31,482	33,438	35,431	37,557
% Ch	6.4%	6.9%	5.7%	5.2%	6.8%	8.0%	7.3%	6.2%	6.0%	6.0%
Idaho Nonfarm (Millions)	20,706	22,073	23,298	24,791	26,310	28,175	30,345	32,291	34,266	36,368
% Ch	8.7%	6.6%	5.6%	6.4%	6.1%	7.1%	7.7%	6.4%	6.1%	6.1%
U.S. (Billions)	5,855	6,201	6,547	6,951	7,359	7,792	8,282	8,780	9,242	9,740
% Ch	6.8%	5.9%	5.6%	6.2%	5.9%	5.9%	6.3%	6.0%	5.3%	5.4%
PERSONAL INCOME - 1992 \$										
Idaho (Millions)	20,460	21,402	22,148	22,856	24,190	25,712	26,919	28,035	29,021	30,020
% Ch	4.5%	4.6%	3.5%	3.2%	5.8%	6.3%	4.7%	4.1%	3.5%	3.4%
Idaho Nonfarm (Millions)	19,796	20,657	21,345	22,273	23,418	24,685	25,947	27,074	28,067	29,070
% Ch	6.8%	4.3%	3.3%	4.3%	5.1%	5.4%	5.1%	4.3%	3.7%	3.6%
U.S. (Billions)	5,598	5,803	5,998	6,245	6,550	6,826	7,085	7,366	7,575	7,791
% Ch	4.9%	3.7%	3.4%	4.1%	4.9%	4.2%	3.8%	4.0%	2.8%	2.8%
HOUSING STARTS										
Idaho	12,767	9,361	9,222	8,857	10,117	10,324	10,624	10,352	10,084	9,956
% Ch	11.4%	-26.7%	-1.5%	-4.0%	14.2%	2.0%	2.9%	-2.6%	-2.6%	-1.3%
U.S. (Millions)	1.446	1.361	1.469	1.475	1.621	1.676	1.652	1.519	1.488	1.536
% Ch	12.0%	-5.9%	7.9%	0.4%	9.9%	3.4%	-1.4%	-8.1%	-2.0%	3.3%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	461.2	477.4	492.6	508.8	521.6	539.1	558.7	571.7	585.7	599.9
% Ch	5.6%	3.5%	3.2%	3.3%	2.5%	3.4%	3.6%	2.3%	2.4%	2.4%
U.S. (Millions)	114.1	117.2	119.6	122.7	125.8	128.8	131.7	133.7	135.0	136.6
% Ch	3.1%	2.7%	2.1%	2.6%	2.6%	2.3%	2.3%	1.5%	1.0%	1.2%
FINANCIAL MARKETS										
Federal Funds Rate	4.2%	5.8%	5.3%	5.5%	5.4%	5.0%	6.4%	6.8%	6.5%	6.1%
Bank Prime Rate	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%	9.4%	9.8%	9.5%	9.1%
Mort Rate, New Homes	7.5%	7.9%	7.8%	7.7%	7.1%	7.1%	8.0%	8.4%	8.2%	7.9%
INFLATION										
GDP Price Deflator	1.9%	2.1%	1.9%	1.9%	1.2%	1.4%	2.1%	1.9%	1.8%	2.0%
Personal Cons Deflator	1.9%	2.2%	2.1%	2.0%	0.9%	1.6%	2.5%	2.0%	2.4%	2.5%
Consumer Price Index	2.6%	2.8%	2.9%	2.3%	1.6%	2.2%	3.2%	2.4%	2.5%	2.6%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the FIRST Quarter of 2000

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	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	9,698	9,854	9,978	10,102	10,235	10,336	10,446	10,563	10,698	10,834	10,982	11,150
% Ch	8.2%	6.6%	5.1%	5.1%	5.4%	4.0%	4.3%	4.6%	5.2%	5.2%	5.6%	6.3%
1992 Chain-Weighted	8,410	8,495	8,557	8,628	8,697	8,747	8,803	8,866	8,934	9,007	9,088	9,183
% Ch	5.4%	4.1%	3.0%	3.4%	3.2%	2.3%	2.6%	2.9%	3.1%	3.3%	3.7%	4.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	30,742	31,263	31,731	32,193	32,692	33,200	33,685	34,173	34,676	35,174	35,676	36,198
% Ch	8.6%	6.9%	6.1%	5.9%	6.4%	6.4%	6.0%	5.9%	6.0%	5.9%	5.8%	6.0%
Idaho Nonfarm (Millions)	29,581	30,131	30,610	31,059	31,594	32,061	32,522	32,989	33,504	34,009	34,514	35,039
% Ch	9.0%	7.7%	6.5%	6.0%	7.1%	6.1%	5.9%	5.9%	6.4%	6.2%	6.1%	6.2%
U.S. (Billions)	8,093	8,222	8,347	8,466	8,608	8,726	8,837	8,949	9,070	9,183	9,295	9,420
% Ch	6.1%	6.6%	6.2%	5.8%	6.9%	5.6%	5.2%	5.2%	5.5%	5.1%	5.0%	5.5%
PERSONAL INCOME - 1992 \$												
Idaho (Millions)	26,510	26,776	27,047	27,344	27,627	27,914	28,173	28,424	28,668	28,903	29,134	29,378
% Ch	5.3%	4.1%	4.1%	4.5%	4.2%	4.2%	3.8%	3.6%	3.5%	3.3%	3.2%	3.4%
Idaho Nonfarm (Millions)	25,509	25,807	26,091	26,381	26,699	26,956	27,201	27,440	27,699	27,945	28,185	28,437
% Ch	5.7%	4.8%	4.5%	4.5%	4.9%	3.9%	3.7%	3.6%	3.8%	3.6%	3.5%	3.6%
U.S. (Billions)	6,978	7,047	7,120	7,196	7,279	7,342	7,396	7,449	7,504	7,551	7,596	7,650
% Ch	2.9%	4.0%	4.2%	4.3%	4.7%	3.5%	3.0%	2.9%	3.0%	2.6%	2.4%	2.9%
HOUSING STARTS												
Idaho	10,825	10,551	10,547	10,572	10,511	10,449	10,310	10,136	10,068	10,055	10,090	10,121
% Ch	15.7%	-9.7%	-0.2%	1.0%	-2.3%	-2.4%	-5.2%	-6.6%	-2.7%	-0.5%	1.4%	1.2%
U.S. (Millions)	1,728	1,686	1,613	1,582	1,569	1,536	1,494	1,476	1,477	1,483	1,488	1,503
% Ch	9.5%	-9.3%	-16.4%	-7.3%	-3.3%	-8.1%	-10.6%	-4.7%	0.2%	1.6%	1.3%	4.2%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	553.7	558.2	560.2	562.7	566.4	570.1	573.5	576.8	580.2	583.9	587.5	591.2
% Ch	5.8%	3.3%	1.4%	1.8%	2.6%	2.7%	2.4%	2.4%	2.4%	2.5%	2.5%	2.5%
U.S. (Millions)	130.6	131.6	132.0	132.6	133.1	133.5	133.9	134.2	134.5	134.9	135.2	135.6
% Ch	2.6%	3.2%	1.1%	1.8%	1.7%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.3%
FINANCIAL MARKETS												
Federal Funds Rate	5.7%	6.3%	6.7%	6.8%	6.8%	6.8%	6.8%	6.8%	6.7%	6.5%	6.5%	6.4%
Bank Prime Rate	8.7%	9.2%	9.7%	9.7%	9.8%	9.8%	9.8%	9.8%	9.7%	9.5%	9.5%	9.3%
Mort Rate, New Homes	7.5%	8.1%	8.3%	8.3%	8.4%	8.4%	8.4%	8.4%	8.4%	8.3%	8.2%	8.1%
INFLATION												
GDP Price Deflator	2.7%	2.8%	2.1%	1.7%	2.1%	1.7%	1.7%	1.7%	2.1%	1.8%	1.9%	2.0%
Personal Cons Deflator	3.1%	2.8%	1.9%	1.4%	2.1%	2.1%	2.1%	2.2%	2.5%	2.5%	2.5%	2.5%
Consumer Price Index	4.0%	3.8%	2.6%	1.7%	2.4%	2.4%	2.4%	2.4%	2.5%	2.6%	2.6%	2.6%

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